

17 November 2021

ASX Market Announcements
ASX Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

**SCHAFFER CORPORATION LIMITED (ASX:SFC) ANNUAL GENERAL MEETING
CORPORATE PRESENTATION**

Please find attached the Corporate Presentation for the Annual General Meeting of SFC.

The Chairman has authorised the document to be released to the ASX.

For further information, please contact:

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Chairman
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Mr Ralph Leib
Chief Financial Officer
Schaffer Corporation Ltd
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Yours sincerely



Jason Cantwell
Company Secretary

2021 ANNUAL GENERAL MEETING

17 November 2021

Creating long-term shareholder value through the efficient operation of our businesses and growth in our investments

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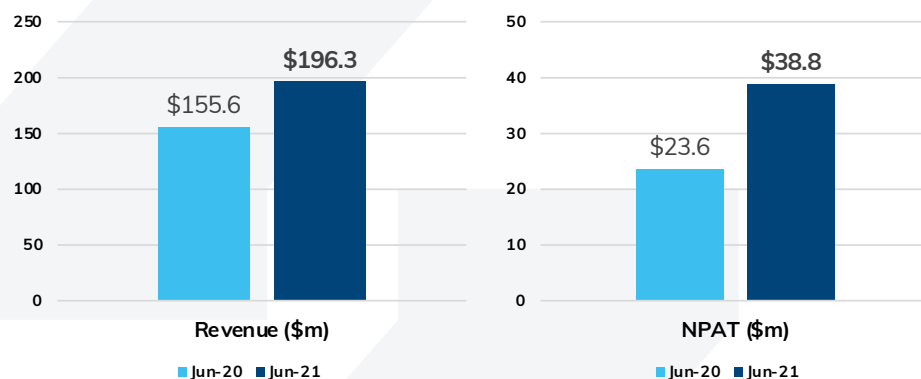
2021 ANNUAL GENERAL MEETING

Chairman's Address

Group Consolidated Financial Performance



Full Year Ending	June 2021	June 2020	% change
Revenue (\$m)	\$196.3	\$155.6	26%
NPAT ¹ (\$m)	\$38.8	\$23.6	65%
EPS (cents per share)	284.9	171.9	66%
Ordinary dividends (fully franked)	\$0.90	\$0.80	12%



NPAT¹ up \$15.2 million, +65%

- 38% increase in Automotive Leather profit compared to Covid-19 impacted FY20
- Unrealised, non-cash net gains for the Group's equity investments of \$10.7m after tax (FY20: \$8.5m)
- Realised profit on sale of land at North Coogee of \$1.5m after tax and minority interest
- Realised investment gains of \$1.9m after tax (FY20: \$0.3m loss after tax)

Full year dividends up 12.5%

- FY21 fully franked dividends of \$0.90 is 12.5% higher than the FY20 dividends

Value of group investments up \$29.1 million, +18%

- Group investments pre-tax net equity market value² increased to \$191.7m from \$162.6m
 - unrealised pre-tax gains (equities): \$15.3m
 - unrealised pre-tax gains (property): \$5.3m

1. Net profit after tax and minority interests.

2. Market value refers to pre-tax net equity value excluding minority interests.

Total Shareholder Return



Value of \$100K invested In SFC (Sep-2011) and Gross Dividend History



- 5-year TSR to September 2021 an outstanding 47% p.a.
- \$100,000 invested in SFC in September 2011 would be worth \$882,000* by September 2021, a 10-year Compound Annual Growth Rate of 24% p.a.
- For shareholders who reinvested their dividends when received, the 10-year Compound Annual Growth Rate would be around 25%* p.a.

* Includes benefits of franking credits, assumes tax rate of 30%.

Use of Cash and Net Debt Overview



Full-Year Ending (\$m)	June-2021	June-2020
Total Cash Generated¹	59.9	22.9
Less: Cash Paid to SFC Shareholders & Minorities	(14.2)	(20.0)
Dividends paid to SFC Shareholders	(10.9)	(11.7)
Dividends paid to Minorities	(3.7)	(5.5)
(Share Buy-Back) / Exercise of options	0.4	(2.8)
Cash Available After Shareholder Payments	45.7	2.9
Less: Cash used for Investments & Capex	(28.4)	(24.9)
New Investments Made	(16.1)	(17.6)
Capital Expenditure and Property Development	(12.3)	(7.3)
Net Debt² Decrease/(Increase)	17.3	(22.0)

1. Cash generated includes cash from operating activities, proceeds from divestments and lease payments for leases previously classified as operating leases prior to the adoption of AASB16.
2. Net Debt presented excludes lease liabilities for leases previously classified as operating leases prior to the adoption of AASB16 on 1 July 2019.



New Range Rover – Launching now

Automotive Leather – FY21 Results



Full Year Ending	June 2021	June 2020
Revenue (\$m)	\$165.2m	\$130.1m
Segment NPAT ¹ (\$m)	\$24.4m	\$17.6m

¹ NPAT excludes 16.83% minority interests.

FY21 strong recovery compared to severely impacted Covid-19 FY20

- Significant increase in volumes drove a 27% increase in revenue and 38% increase in NPAT.
- The global automotive industry recovered from the Covid-19 related industry shut-downs that occurred in H2 FY20.
- Commencement of two new programs during the half added to sales volumes.

Longer term Outlook

- Our European operations successfully renewed key programs.
- We also won new programs with Mercedes and Audi.
- These programs were renewed/won under competitive market conditions and should see European sales volumes grow from 2023 onwards.

Automotive Leather – Impact of Semiconductor chip shortage



"The chip shortage remains dynamic and difficult to forecast, however, the company **expects semiconductor shortages to gradually ease over the next 12 months**".

"The Company continues to see **strong demand** for its products with **global retail orders at record levels**".



Mercedes-Benz

"We assume in Q4 2021 an **improved semiconductor supply situation vs. Q3 2021**, despite limited visibility and high volatility".

"Economic conditions for worldwide **demand are likely to remain favourable** for the rest of the year".



"The **demand** for Volkswagen vehicles remains **strong** and orders reached a **historically high level in the third quarter**."

Automotive Leather – FY22 First Half Update

- Visibility is still low and guidance is difficult
- Demand for new vehicles is strong.
- Inflationary cost pressures: hides, chemicals and freight
- Supply chains disruptions and elongation
- Current expectations H1 FY22:
 - Revenue to be around \$55 - \$60 million
 - NPAT* to be around \$6.0 - \$7.0 million
- Semiconductor chip shortage continues - but we are seeing the start of 'green shoots' with volume increases from our OEMs since the start of November



New Range Rover - Interior

* NPAT excludes 16.83% minority interests



 H O W E

 H O W E

NPAT increased by \$6m

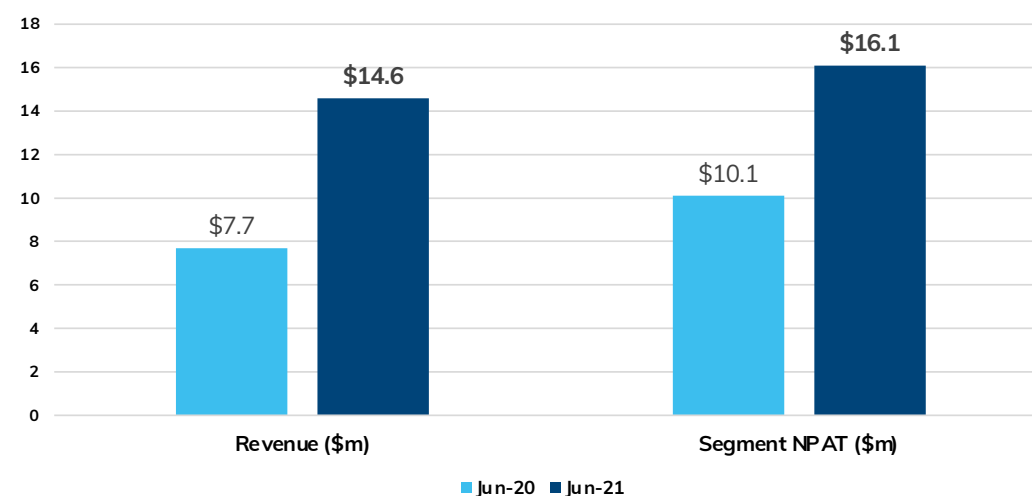
- NPAT of \$16.1m includes:
 - unrealised, non-cash gains from the revaluation of equity investments of \$10.7m after tax (FY20: \$8.5m) – primarily HTG²
 - realised profit on sale of land at North Coogee of \$1.5m after tax and minority interests
 - realised investment gains of \$1.9m after tax (FY20: \$0.3m loss after tax)

New Investments (FY21) – Total \$16.1m

- Property \$6.9m
 - US \$3.7m
 - Australia \$3.2m
- Equities \$9.2m

Cash \$17.5m + Fixed Income of \$3.1m

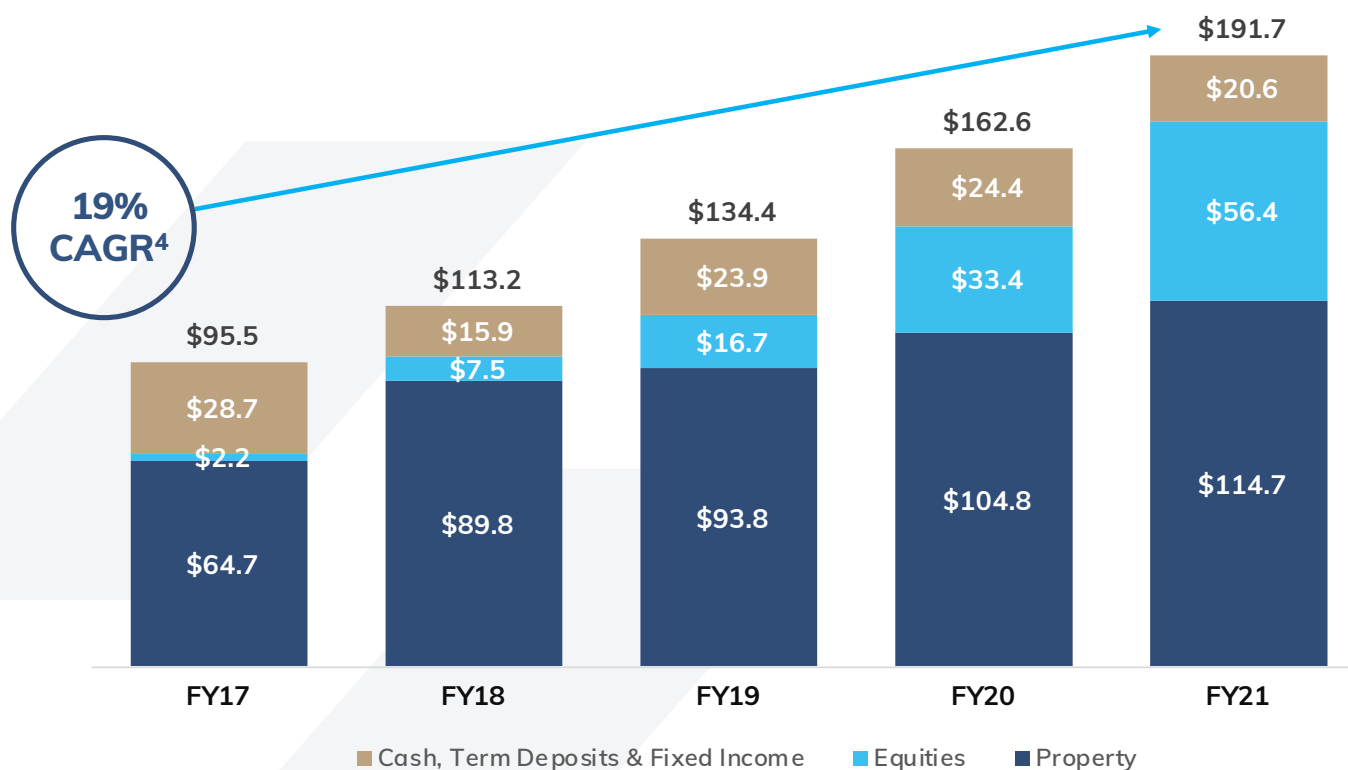
Full Year Ending	June 2021	June 2020
Revenue (\$m)	\$14.6	\$7.7
Segment NPAT ¹ (\$m)	\$16.1	\$10.1



1. NPAT excludes 16.83% minority interests for Gosh Capital investments.

2. SFC's investment in Harvest Technology Group (ASX:HTG) is valued at \$26.9 million at 30 June 2021. The share price used is \$0.235, which is below the \$0.32 closing share price of HTG at 30 June 2021. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

Pre-Tax Net Equity Value¹ Increase (\$m) – FY17 to FY21



- We continue to grow Group Investments, investing opportunistically with the objective to maximising shareholder value over the medium and long-term
- Pre-Tax Net Equity Value has grown from \$95.5m in FY17 to \$191.7m in FY21, an increase of \$96.2m or 19.0% p.a. over the past 4 years
- Pre-Tax Net Equity Value per share has grown from \$6.82 in FY17 to \$14.04 or 19.8% p.a. over the past 4 years

1. Market value less debt

2. All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets

3. SFC's investment in Harvest Technology Group (ASX:HTG) is included in equities and valued at \$26.9m at 30 June 2021. The share price used is \$0.235, which is below the \$0.32 closing share price of HTG at 30 June 2021. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

4. Calculated From 30 June 2017 to 30 June 2021

Jandakot Road Property

A large strategic property asset located between two freeways and 15 minutes south of the Perth CBD.

- Approximate developable lot area of 34ha after allowing for internal and external roads, drainage, buffers and the Bush Forever area.
- Allowable uses are Warehouses, Showrooms, Storage, Masonry Production and Nurseries. This area includes the 6.2ha currently leased to Austral Masonry Holdings.
- Land has been ceded during FY21 to allow the duplication of Jandakot Road and construction of a new roundabout entrance to our site. This project has commenced and is due to be completed by early 2022.
- Clearing and earthworks for the developable area should be completed in December.
- Currently valued at **\$45.2 million** on an “as is” basis.



Summary

- Delta returned to profit for H1 and was close to break even for H2.
- A large infrastructure project, Evolve Bayswater Station, that was due to commence during H2 was delayed.
- The temporary border controls that have continued in Western Australia associated with Covid-19 have made it difficult to source labour. This has increased the cost of labour.

Outlook

- Evolve Bayswater Station project is now underway
- Prospects for industry improving
 - Government expenditure on infrastructure projects forecast to rise from \$1.6 billion p.a. to \$3.5 billion p.a. for the next 5 years.
 - Delta's capacity being increased to embrace the opportunity
- Expect labour and material shortages to continue

Full Year Ending	June 2021	June 2020
Revenue (\$m)	\$16.5m	\$17.8m
Segment Underlying NPAT ¹ (\$m)	\$1.0m	(\$0.6m)

1. Underlying NPAT excludes (\$1.0m) impairment of assets after tax in FY20



Example Of Complexity – Bayswater Station



New Bayswater Station (Source: Metronet)

2021 ANNUAL GENERAL MEETING

Conclusion

2021 ANNUAL GENERAL MEETING

Questions

Item 1 – Annual Report



To receive and consider the annual financial statements and reports of the directors and the auditors for the period ended 30 June 2021

This item does not require voting by shareholders

Item 2 – Re-election of Director



Resolution 1: To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mrs Danielle Blain AM who retires in accordance with the Company’s constitution and, being eligible for re-election, be re-elected as a Director”

Proxies received and accepted for Resolution 1:

Re-Election of Mrs Danielle Blain AM	For	Against	Open	Abstain
Votes	8,749,257	6,312	93,510	5,913
% of Valid Proxy Votes	98.9%	0.1%	1.0%	N/A

Item 3 – Re-election of Director



Resolution 2: To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mr Anton Mayer who retires in accordance with the Company’s constitution and, being eligible for re-election, be re-elected as a Director”

Proxies received and accepted for Resolution 2:

Re-Election of Mr Anton Mayer	For	Against	Open	Abstain
Votes	8,750,257	5,312	93,510	5,913
% of Valid Proxy Votes	98.9%	0.1%	1.0%	N/A

Item 4 – Remuneration Report



Resolution 3: To consider, and if thought fit, to pass the following resolution as a non-binding **ordinary resolution**:

“That the Remuneration Report for the period ended 30 June 2021 be adopted”

Proxies received and accepted for Resolution 3

Adopt Remuneration Report	For	Against	Open	Abstain
Votes	3,688,864	18,949	12,851	47,552
% of Valid Proxy Votes	99.1%	0.5%	0.4%	N/A

2021 ANNUAL GENERAL MEETING

Conclusion of AGM